

Message Text

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PAGE 01 TOKYO 05674 01 OF 02 050659Z
ACTION COME-00

INFO OCT-01 EA-12 EB-08 ISO-00 AID-05 CIAE-00 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 /075 W
-----118584 050705Z /10

P 050631Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 6791

UNCLAS SECTION 01 OF 02 TOKYO 05674

E.O. 11652: NA
TAGS: BEXP, ETRD, JA
SUBJECT: TRADE FACILITATION COMMITTEE: CASE NO. 6--
. GENERAL DATACOMM INDUSTRIES, INC.

REF: (A) TOKYO 6422, (B) STATE 69838, (C) TOKYO 3011,
(D) STATE 41042

1. SUMMARY: EMBASSY HAS RECEIVED NEGATIVE REPLY FROM
TFC REPRESENTATIVE TO PRESENTATION MADE CONCERNING NTT
DATA COMMUNICATION TARIFF (CORRESPONDENCE SUMMARIZED
BELOW). JAPAN SIDE STATED THAT APPROVED NTT TARIFF
CANNOT BE CHANGED OR POSTPONED AND NOTED THAT SINCE
THIS QUESTION INVOLVES PUBLIC UTILITY RATES AND EFFECT
ON TRADE IS INDIRECT, PROBLEMS SUCH AS THIS FALL
OUTSIDE OF SCOPE OF TFC. ALTHOUGH NOT OPTIMISTIC,
EMBASSY DOES NOT CONSIDER CASE CLOSED AND IS EXPLORING
SEVERAL POSSIBLE APPROACHES. COPIES OF ALL CORRES-
PONDENCE BEING POUCHED TO COMMERCE AND STATE. END
SUMMARY.

2. IN THE EMBASSY'S PRESENTATION OF TFC CASE NO. 6
ON FEBRUARY 24, E/C MINISTER BUTTON INCLUDED THE TWO
MAIN POINTS RAISED BY GENERAL DATACOMM INDUSTRIES:
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PAGE 02 TOKYO 05674 01 OF 02 050659Z

(1) SINCE NTT BUYS ONLY FROM JAPANESE MANUFACTURERS,
THE JAPANESE MODEM MARKET MAY BE VIRTUALLY CLOSED
TO FOREIGN MANUFACTURERS AS A RESULT OF THE REVISION
IN THE NTT TARIFF; AND (2) THE PROPOSED TARIFF
SHOULD BE REVISED SO THAT THE DIFFERENTIAL BETWEEN
RATES FOR LINES WITH MODEMS AND WITHOUT IS SUFFICIENT
TO INSURE THAT U.S. (AND OTHER FOREIGN) SUPPLIERS OF

MODEMS WILL CONTINUE TO HAVE AN OPPORTUNITY TO COMPETE
IN THE JAPANESE MARKET.

3. THE REPLY OF MARCH 14 FROM MR. HANAOKA (MITI)
CONTAINED THREE MAIN POINTS: (1) THE NTT TARIFF WAS
BASED ON VARIOUS CONSIDERATIONS AND THE REVISION
WAS NOT INTENDED TO DISCRIMINATE AGAINST FOREIGN
MANUFACTURED MODEMS; (2) THE PRICE FOR THE MULTI-
PURPOSE D-1 LINE (THE ONLY LINE AVAILABLE TO USERS
WISHING TO SUPPLY THEIR OWN MODEMS) WAS RAISED IN
COMPARISON WITH OTHER DATA TRANSMISSION LINES BECAUSE
A DISCOUNT WAS OFFERED FOR THE OTHER LINES USED
EXCLUSIVELY FOR DATA TRANSMISSION; AND (3) NTT
PURCHASES EQUIPMENT ON THE BASIS OF PRICE AND QUALITY
AND DOES NOT DISCRIMINATE AGAINST FOREIGN MANU-
FACTURERS.

4. AN EMBASSY OFFICER MET WITH MITI OFFICIALS ON
MARCH 17 AND MARCH 23 TO SEEK CLARIFICATION OF THESE
THREE POINTS. IN THESE MEETINGS THE EMBASSY NOTED,
FIRST, THAT WHILE THE TARIFF MAY NOT HAVE THE
INTENTION OF DISCRIMINATION, THE ACTUAL EFFECT WAS TO
SHUT FOREIGN MANUFACTURERS OUT OF THE JAPANESE MODEM
MARKET. SECONDLY, ALTHOUGH IT IS TRUE THAT THE D-1
LINE CAN BE USED FOR PURPOSES OTHER THAN DATA
TRANSMISSION, 99 PERCENT OF D-1 USERS USE IT EXCLU-
SIVELY FOR DATA TRANSMISSION. NTT DOES NOT OFFER
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PAGE 03 TOKYO 05674 01 OF 02 050659Z

A LEASED LINE EXCLUSIVELY FOR DATA
TRANSMISSION AND IS FORCING USERS TO PAY FOR A MULTI-
PURPOSE LINE WHEN THEY ONLY USE IT FOR DATA TRANS-
MISSION; THE DISCOUNT OFFERED ON NTT DATA TRANSMISSION
SERVICE IS THEREFORE INEQUITABLE. THIRDLY, THE
EMBASSY SAID WE DOUBT THAT THE NTT MARKET IS
OPEN TO FOREIGN MANUFACTURERS, AND OFFERED AS AN
EXAMPLE THE FACT THAT NTT HAS POSTPONED THE START
OF D-13 (HIGH-SPEED) SERVICE UNTIL JAPANESE MANU-
FACTURERS COULD PRODUCE THE PROPER MODEM
EVEN THOUGH U.S. MODEMS ARE READILY AVAILABLE IN JAPAN.

5. IN THESE MEETINGS, MITI OFFICIALS SAID THEY
FELT THAT SINCE THIS CASE INVOLVES A PUBLIC UTILITY
RATE QUESTION, THEY WERE NOT SURE IT FELL WITHIN THE
SCOPE OF THE TFC AND PERHAPS IT COULD BEST BE SOLVED
THROUGH THE ADMINISTRATIVE AND LEGAL PROCEDURES
BEING FOLLOWED BY THE USERS GROUP PROTESTING THE
NTT TARIFF INCREASE.

6. IN RESPONSE TO REF A, MINISTER BUTTON SENT A LETTER
TO MR. HANAOKA ON MARCH 24 REAFFIRMING THE U.S. VIEW
THAT THIS CASE FELL WITHIN THE SCOPE OF THE TFC AND

REQUESTING POSTPONEMENT OF THE NEW NTT TARIFF UNTIL
THE CASE COULD BE RESOLVED.

7. MR. HANAOKA REPLIED ON MARCH 29 STATING THAT
(1) THE MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT)
REGARDS THE APPROVED TARIFF AS FAIR AND JUST;
(2) IT IS IMPOSSIBLE TO POSTPONE THE EFFECTIVE DATE
OF THE NEW TARIFF; (3) NTT CAN PROVIDE D-13 SERVICE
AS SCHEDULED (EMBASSY COMMENT: THIS IS TRUE ONLY
BECAUSE THE SCHEDULE HAD BEEN MOVED BACK TO OCTOBER
WHEN NEC WILL HAVE ITS MODEM READY.); AND (4) THIS
PROBLEM IS NOT WITHIN THE SCOPE OF THE TFC AND LEGAL

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PAGE 01 TOKYO 05674 02 OF 02 050701Z
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P 050631Z APR 78
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UNCLAS SECTION 02 OF 02 TOKYO 5674

AND ADMINISTRATIVE REMEDIES ARE AVAILABLE TO THOSE
INJURED BY THE NEW TARIFF.

8. COPIES OF ALL CORRESPONDENCE BEING SENT TO COMMERCE
(GLICK) AND STATE (GEBER) ALONG WITH THE EMBASSY'S
TRANSLATION OF AN ARTICLE ON THE CASE WHICH APPEARED
IN THE MARCH 30 JAPANESE-LANGUAGE ASAHI SHIMBUN.

9. COMMENT: AS THE EMBASSY NOTED IN REF C, WE
CONSIDER THIS THE MOST SIGNIFICANT TFC CASE DEVELOPED
TO DATE, SINCE IT INVOLVES MINISTERIAL-LEVEL GOJ
POLICY AS WELL AS A SUBSTANTIAL VOLUME OF TRADE.
ALSO AS NOTED IN REF C, HOWEVER, THE BASIC
MOTIVATION OF NTT APPEARS TO BE THAT, BY ESTABLISHING
A MONOPOLY OF PRESENT SERVICE USING VOICE-GRADE
LINES, IT WILL BE IN A BETTER POSITION TO CONTINUE
MONOPOLY POSITION IF AND WHEN NTT IS ABLE TO OFFER
DIGITAL-TRANSMISSION SERVICE. THE ADVERSE EFFECT

OF THE TARIFF CHANGE ON THE MARKET FOR U.S. MODEMS
IS AN INDIRECT RESULT BUT, ON ITS PAST RECORD, NTT
WOULD SCARCELY BE CONCERNED WITH THIS ASPECT.

10. ALTHOUGH THE EMBASSY IS NOT OPTIMISTIC, IT DOES
NOT CONSIDER CASE NO. 6 CLOSED AND IS EXPLORING
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PAGE 02 TOKYO 05674 02 OF 02 050701Z

SEVERAL POSSIBLE APPROACHES WHICH WILL BE REPORTED
IN A LATER MESSAGE.

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Message Attributes

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Decaption Note:
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